

Reliance Broadcast Network Limited
October 17, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating¹	Rating Action
@Long Term Bank Facilities	92.83	CARE AA(SO); credit watch [Double A; (Structured Obligation); credit watch with developing implications]	Revised from CARE AA+(SO); credit watch [Double A Plus; (Structured Obligation); and continues on credit watch with developing implications]
#Long Term Bank Facilities	66.67 (Reduced from Rs.100.00 crore)	CARE AA-(SO);Credit Watch [Double A minus (Structured Obligation); credit watch with developing implications]	Continues on Credit Watch with Developing Implications
Total Bank Facilities	159.50 (Rupees One hundred Fifty Nine crores and Fifty lakhs only)		
@Long term Non-Convertible Debentures (NCD) – 1	280.00 (Reduced form Rs.330.00 crore)	CARE AA(SO); credit watch [Double A; (Structured Obligation); credit watch with developing implications]	Revised from CARE AA+(SO); credit watch [Double A Plus; (Structured Obligation); and continues on credit watch with developing implications]
%Long term Non-Convertible Debentures (NCD) – 2	258.40 (Reduced form Rs.375.00 crore)	CARE AA(SO); credit watch [Double A; (Structured Obligation); credit watch with developing implications]	Revised from CARE AA+(SO); credit watch [Double A Plus; (Structured Obligation); and continues on credit watch with developing implications]
#Long term Non-Convertible Debentures (NCD) – 3	150.00	CARE AA-(SO); Credit Watch [Double A minus (Structured Obligation); credit watch with developing implications]	Continues on Credit Watch with Developing Implications

Details of instruments/facilities in Annexure-1

@backed by unconditional and irrevocable corporate guarantee by Reliance Capital Limited (RCL; Guarantor or Benefactor rated CARE AA/A1+; Credit Watch with Developing Implications)

backed by letter of comfort from RCL.

% backed by credit enhancement in the form of an unconditional and irrevocable mandatory PUT option by RCL, in favour of the debenture trustee on behalf of the debenture holders for timely repayment of all outstanding amounts.

Detailed Rationale & Key Rating Drivers

The revision in the ratings in the bank facilities/instruments of Reliance Broadcast Network limited (RBNL) and continuation of watch with developing implications is on account of revision in the ratings of the RCL.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Furthermore, the ratings on the bank facilities/instruments of RBNL continues on credit watch with developing implications on account of proposed divestment of 100% stake in RBNL's television broadcasting business and 49% stake in its radio business to Zee Group. CARE would take a view on the rating on obtaining clarity on the implications of the stake sale and upon completion of the stake sale process.

Detailed Rationale & Key Rating Drivers of the Guarantor - RCL

The rating revision takes into account the delay in sale of group assets/investments as per timelines provided by Reliance Capital Ltd. (RCL) to pare down its debt levels. The ratings remain under credit watch with developing implications due to RCL's continued exposure towards Reliance Communications Ltd. (Telecom Company of the ADAG group; rated 'CARE D') and its group companies. Further, the ratings also take into account RCL's sizeable exposure to group companies in the non-financial business segments having weak financial profiles and requiring continued support from RCL. While some of these group entities have been identified by RCL for divestment, timely exit from these investments will be critical for reducing the leverage at RCL level.

The ratings continue to gain strength from RCL's experienced management and strong business franchise of subsidiaries/associates in financial services segments including Asset Management, Life Insurance, General Insurance, Broking, Commercial and Housing Finance businesses. Further, RCL has adequate liquidity on account on divestment in some businesses during FY18 and financial flexibility arising out of its holdings in established businesses in the financial services segment. RCL has demonstrated its ability to unlock value of its investments in the financial services segment by bringing in strategic investor along with listing of some of the companies.

Going forward, RCL's ability to divest group exposures as envisaged and unlock value in a timely manner thereby reducing leverage will be the key rating sensitivity.

Detailed description of the key rating drivers of the Guarantor - RCL

Key Rating Strengths

Financial services Company of Anil Dhirubhai Ambani Group

Reliance Capital Ltd. (RCL) is the financial services flagship Company of ADAG Group which has presence across various sectors namely finance, telecom, defence, energy, power, infrastructure, media and entertainment. Apart from RCL, Reliance Communications Ltd. (rated 'CARE D'), Reliance Infrastructure Ltd. (rated 'CARE B/ CARE A4'; credit watch with developing implications) and Reliance Power Ltd. are the other flagship companies of ADAG group. However, with delay in serving of Reliance Communications Ltd.'s debt obligations and promoter not being able to support the company, financial flexibility of ADAG group has been impacted. Promoter and promoter group owns 52.23% stake in the company as on March 31, 2018 out of which 70.28% of shares are pledged.

Unlocking of the investments in the financial services business segment

RCL has financial flexibility arising out of its holdings in established businesses in the financial services segment. RCL has also demonstrated its ability to unlock value of its investments in the financial services segment by bringing in strategic investor along with listing of some of the companies. Financial companies like Reliance Home Finance Ltd. and Reliance Nippon Life Asset Management Ltd. have been listed, and RCL holds 47.91% and 42.88% stake respectively. Apart from the listing, RCL has been able to bring in strategic investors for Reliance Asset Reconstruction Company Ltd (RCL has 49% stake) and Reliance Nippon Life Insurance Company Ltd (RCL has 51% stake).

The other companies in the financial space are Reliance Securities Ltd (RCL has 100% stake), Reliance Financial Ltd (RCL has 100% stake), Reliance Commercial Finance Ltd (RCL has 100% stake), Reliance General Insurance Company Ltd (RCL has 100% stake).

Adequate liquidity position

During FY18, RCL had exits from its investments aggregating to about Rs.1,400 crore including Reliance Nippon Life Asset Management Ltd., Reliance Broadcast Network Ltd. and others. Apart from this the company had maintained cash balance of Rs.2,941 crore as on March 31, 2018. Going forward, for FY19, it has divestment plans of about Rs.6,500 crore of which Rs.1,260 crore has already been realized during H1FY19. Timely fructification of the divestment deals will further increase the liquidity buffer for RCL.

Further, RCL's resource profile mainly comprises of NCDs which have repayments spread across the period from FY19 to FY28 in the range of Rs.2,000 crore to Rs.3,000 crore per year. The resource profile consists of tangible net worth of

Rs.14,005 crore and borrowings worth Rs.20,707 crore of which NCDs are Rs.19,750 crore (95%), bank term loans of Rs.615 crore (3%) and commercial paper of Rs.342 crore (2%).

Key Rating Weaknesses

Delay in sale of group assets/investments as per timelines provided by Reliance Capital Ltd

On November 23, 2016, the group announced sale of its radio business and general entertainment TV business to Zee group. The transaction relating to the sale of the TV business has been completed and the sale proceeds of Rs.300 crore were realised on August 16, 2017. The sale of radio business is awaiting the final approval from the Ministry of Information & Broadcasting. The management expects inflow of about Rs.1700 crore from this transaction which has been delayed and is now expected to be concluded by December 2018. The company also plans to sell up to 25% stake in Reliance General Insurance via IPO; the same, however, has been delayed from February 2018 to December 2018. The company has also committed to exit from its media businesses to pare down its debt levels.

However, RCL has been able to achieve only about a third of the total exits planned by the management by September 2018 with timelines for other exits being revised twice in the last one year. Some of the key exits achieved during the period are Yatra Online stake sale and Codemasters sale.

As at the end of FY18, RCL had total exposure of Rs.17,653 crore to its group companies in the form of CCDs of Rs.7,700 crore (P.Y. Rs.6,250 crore) and loans & advances of Rs.9,953 crore (P.Y. Rs.8,575 crore). These exposures are mainly towards the non-financial businesses of the group. However, out of the total investments in the non-financial business, the management has stated timelines for exits from the Zee deal, Mahindra First Choice and Prime Focus stake sale. Timely conclusion of the envisaged divestments will be critical for reducing the leverage of RCL.

Exposure to Reliance Communications (RCOM) group

RCL has exposure towards RCOM (rated 'CARE D') and its group companies which forms around 11% (Fund based: 8% and Non-fund based: 3%) of its networth as on March 31, 2018. The management was confident of recovering majority of this exposure post completion of strategic transactions. However, there has been delay in recovery of the same.

Moderate gearing levels

RCL's standalone gross gearing stood at 1.48 times (PY: 1.37 times) as on March 31, 2018. Capital ratio as on March 31, 2018 stood at 47% (PY: 38%). As per regulations, a NBFC-CIC has to maintain a minimum capital ratio of 30% and leverage of less than 2.5 times. As on March 31, 2018, the adjusted gross gearing (post inclusion of CARE rated 'SO' limits and other outstanding corporate guarantees) stood at 1.97 times. RCL's plan to unwind its exposures from various group companies shall have a positive impact on its gearing levels going forward; however, the company was not been able to reduce its leverage during FY18 as per its stated commitments due to delay in its divestment plans.

Industry Prospects

Over the last few years, the NBFC sector has gained systemic importance with increase in share of NBFC total assets to bank total assets. The same has resulted in the Reserve Bank of India (RBI) taking various policy actions resulting in NBFCs attracting higher support and regulatory scrutiny. The RBI has revised the regulatory framework for NBFCs which broadly focuses on strengthening the structural profile of NBFC sector, wherein focus is more on safeguarding depositors' money and regulating NBFCs which have increased their asset-size over time and gained systemic importance. On the asset quality front, gradual change in the NPA recognition norms would lead to deterioration in asset quality parameters during the transition phase. Overall the revised regulations are positive for the NBFC sector making it structurally stronger, increase transparency and improve their ability to withstand asset quality shocks in the long run.

Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 day NPA recognition norm.

Analytical approach: The ratings on the bank facilities/instruments of Reliance Broadcast Network Limited (RBNL) is based on credit enhancement in the form of unconditional and irrevocable corporate guarantee/Letter of

Comfort/unconditional and irrevocable mandatory PUT option in favour of the debenture trustee on behalf of the debenture holders form Reliance Capital Limited.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Criteria for placing rating on credit watch](#)

[Financial ratios – Financial sector](#)

[CARE's criteria for Non Banking Financial Companies](#)

About the Company – RBNL

RBNL, incorporated on December 27, 2005, is a part of the Anil Ambani-led Reliance Group. The company is in the business of radio broadcasting (BIG FM).

About the Guarantor - RCL

Reliance Capital Ltd. (RCL) is the company of Reliance Group in the financial services space. It is one of India's leading private sector financial services companies and ranks amongst the top private sector financial services companies in terms of net worth. RCL is converted into a 'Core Investment Company' subject to necessary approvals from RBI on September 07, 2018. Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial and home finance; equities & commodities broking; investment banking; wealth management services; distribution of financial products; private equity; asset reconstruction; proprietary investments and other activities in financial services. On a standalone basis, RCL's networth stands at Rs.14,005 crore as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (Audited)	FY18 (Audited)
Total operating income	1,954	3,275
PAT	419	828
Interest coverage (times)	1.4	1.6
Total Assets	33,137	36,189
Net NPA (%)	0.0	0.0
ROTA (%)	1.2	2.4

All analytical ratios are based on CARE's calculations.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also

recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	40.00	CARE AA (SO) (Under Credit watch with Developing Implications)
Non-fund-based - LT-Bank Guarantees	-	-	-	10.33	CARE AA (SO) (Under Credit watch with Developing Implications)
Fund-based - LT-Term Loan	-	-	-	42.50*	CARE AA (SO) (Under Credit watch with Developing Implications)
Fund-based - LT-Term Loan	February 16, 2015	10.55%	Feb 16, 2020	66.67	CARE AA- (SO) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	August 06, 2015	9.50%	August 6, 2020	100.00	CARE AA (SO) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	October 08, 2015	11.60%	Oct 8, 2020	100.00	CARE AA- (SO) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	July 20, 2015	9.50%	July 20,2020	133.40	CARE AA (SO) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	April 13, 2016	9.40%	April 12, 2019	25.00	CARE AA (SO) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	September 14, 2016	10.25%	Sep 13, 2019	50.00	CARE AA- (SO) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	May 13, 2015	9.50%	May 13, 2020	100.00	CARE AA (SO) (Under Credit watch with

					Developing Implications)
Debentures-Non Convertible Debentures	November 14, 2017	Zero Coupon 10.10% yield	Dec 14, 2018	180.00	CARE AA (SO) (Under Credit watch with Developing Implications)

***The company had repaid the term debt. However, the facilities will be withdrawn post receipt of No Objection Certificate form bank as per CARE’s policy.**

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (01-Feb-16)
2.	Fund-based - LT-Cash Credit	LT	40.00	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (02-Feb-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 3)CARE AA+ (SO) (Under Credit watch with Developing Implications) (25-Jul-17) 4)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Apr-17)	1)CARE AAA (SO) (Under Credit Watch) (13-Oct-16)	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (01-Feb-16)
3.	Non-fund-based - LT-Bank Guarantees	LT	10.33	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (02-Feb-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 3)CARE AA+ (SO) (Under Credit watch with	1)CARE AAA (SO) (Under Credit Watch) (13-Oct-16)	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (01-Feb-16)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
						Developing Implications) (25-Jul-17) 4)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Apr-17)		
4.	Fund-based - LT-Term Loan	LT	42.50	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (02-Feb-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 3)CARE AA+ (SO) (Under Credit watch with Developing Implications) (25-Jul-17) 4)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Apr-17)	1)CARE AAA (SO) (Under Credit Watch) (13-Oct-16)	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (01-Feb-16)
5.	Fund-based - LT-Term Loan	LT	66.67	CARE AA- (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA- (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 2)CARE AA- (SO) (Under Credit watch with Developing Implications) (25-Jul-17) 3)CARE AA- (SO) (Under Credit watch with Developing Implications) (05-Apr-17)	1)CARE AA (SO) (Under Credit Watch) (13-Oct-16)	1)CARE AA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AA (SO) (01-Feb-16) 3)CARE AA (SO) (17-Apr-15)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
6.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (25-Jul-17) 3)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Apr-17)	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (13-Oct-16)	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (01-Feb-16) 3)CARE AAA (SO) (21-May-15) 4)CARE AAA (SO) (In Principle) (12-May-15)
7.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA- (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA- (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 2)CARE AA- (SO) (Under Credit watch with Developing Implications) (16-Aug-17) 3)CARE AA- (SO) (Under Credit watch with Developing Implications) (25-Jul-17) 4)CARE AA- (SO) (Under Credit watch with Developing Implications) (05-Apr-17)	1)CARE AA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AA (SO) (13-Oct-16)	1)CARE AA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AA (SO) (01-Feb-16) 3)CARE AA (SO) (13-Oct-15) 4)CARE AA (SO) (18-Aug-15) 5)CARE AA (SO) (In Principle) (12-May-15)
8.	Debentures-Non Convertible Debentures	LT	133.40	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 2)CARE AA+ (SO) (Under Credit	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (13-Oct-16)	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (01-Feb-16) 3)CARE AAA (SO) (31-Jul-15)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
						watch with Developing Implications) (25-Jul-17) 3)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Apr-17)		
9.	Debentures-Non Convertible Debentures	LT	25.00	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (25-Jul-17) 3)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Apr-17)	1)CARE AAA (SO) (Under Credit Watch) (13-Oct-16) 2)CARE AAA (SO) (Under Credit Watch) (25-Apr-16)	-
10.	Debentures-Non Convertible Debentures	LT	50.00	CARE AA- (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA- (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 2)CARE AA- (SO) (Under Credit watch with Developing Implications) (16-Aug-17) 3)CARE AA- (SO) (Under Credit watch with Developing Implications) (25-Jul-17) 4)CARE AA- (SO) (Under Credit watch with Developing Implications)	1)CARE AA (SO) (Under Credit Watch) (13-Oct-16) 2)CARE AA (SO) (Under Credit Watch) (27-Sep-16)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
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						(05-Apr-17)		
11.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (16-Aug-17)	-	-
12.	Debentures-Non Convertible Debentures	LT	180.00	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (08-Jan-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (16-Nov-17) 3)Provisional CARE AA+ (SO) (Under Credit watch with Developing Implications) (14-Nov-17)	-	-

Reliance Business Broadcast News Holdings Limited
(Erstwhile known as Business Broadcast News Holdings Limited)
October 17, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
@Non-Convertible Debenture issue -1	600	CARE AA(SO); credit watch [Double A; (Structured Obligation); credit watch with developing implications]	Revised from CARE AA+(SO); credit watch [Double A Plus; (Structured Obligation); and continues on credit watch with developing implications]
@Non-Convertible Debenture issue -2	200 (Reduced from Rs.300.00 crore)	CARE AA(SO); credit watch [Double A; (Structured Obligation); credit watch with developing implications]	Revised from CARE AA+(SO); credit watch [Double A Plus; (Structured Obligation); and continues on credit watch with developing implications]
@Non-Convertible Debenture issue -3	250	CARE AA(SO); credit watch [Double A; (Structured Obligation); credit watch with developing implications]	Revised from CARE AA+(SO); credit watch [Double A Plus; (Structured Obligation); and continues on credit watch with developing implications]
Total	1,050 (Rupees One thousand and fifty crore only)		

Details of instruments/facilities in Annexure-1

@backed by unconditional and irrevocable corporate guarantee by Reliance Capital Limited (RCL; Guarantor or Benefactor rated CARE AA/A1+; Credit Watch with Developing Implications)

Detailed Rationale & Key Rating Drivers

The revision in the ratings in the instruments of Reliance Business Broadcast News Holdings Limited (RBBNHL) and continuation of watch with developing implications is on account of revision in the ratings of the RCL.

Detailed Rationale & Key Rating Drivers of the Guarantor - RCL

The rating revision takes into account the delay in sale of group assets/investments as per timelines provided by Reliance Capital Ltd. (RCL) to pare down its debt levels. The ratings remain under credit watch with developing implications due to RCL's continued exposure towards Reliance Communications Ltd. (Telecom Company of the ADAG group; rated 'CARE D') and its group companies. Further, the ratings also take into account RCL's sizeable exposure to group companies in the non-financial business segments having weak financial profiles and requiring continued support from RCL. While some of these group entities have been identified by RCL for divestment, timely exit from these investments will be critical for reducing the leverage at RCL level.

The ratings continue to gain strength from RCL's experienced management and strong business franchise of subsidiaries/associates in financial services segments including Asset Management, Life Insurance, General Insurance,

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Broking, Commercial and Housing Finance businesses. Further, RCL has adequate liquidity on account on divestment in some businesses during FY18 and financial flexibility arising out of its holdings in established businesses in the financial services segment. RCL has demonstrated its ability to unlock value of its investments in the financial services segment by bringing in strategic investor along with listing of some of the companies.

Going forward, RCL's ability to divest group exposures as envisaged and unlock value in a timely manner thereby reducing leverage will be the key rating sensitivity.

Detailed description of the key rating drivers of the Guarantor - RCL

Key Rating Strengths

Financial services Company of Anil Dhirubhai Ambani Group

Reliance Capital Ltd. (RCL) is the financial services flagship Company of ADAG Group which has presence across various sectors namely finance, telecom, defence, energy, power, infrastructure, media and entertainment. Apart from RCL, Reliance Communications Ltd. (rated 'CARE D'), Reliance Infrastructure Ltd. (rated 'CARE B/ CARE A4'; credit watch with developing implications) and Reliance Power Ltd. are the other flagship companies of ADAG group. However, with delay in serving of Reliance Communications Ltd.'s debt obligations and promoter not being able to support the company, financial flexibility of ADAG group has been impacted. Promoter and promoter group owns 52.23% stake in the company as on March 31, 2018 out of which 70.28% of shares are pledged.

Unlocking of the investments in the financial services business segment

RCL has financial flexibility arising out of its holdings in established businesses in the financial services segment. RCL has also demonstrated its ability to unlock value of its investments in the financial services segment by bringing in strategic investor along with listing of some of the companies. Financial companies like Reliance Home Finance Ltd. and Reliance Nippon Life Asset Management Ltd. have been listed, and RCL holds 47.91% and 42.88% stake respectively. Apart from the listing, RCL has been able to bring in strategic investors for Reliance Asset Reconstruction Company Ltd (RCL has 49% stake) and Reliance Nippon Life Insurance Company Ltd (RCL has 51% stake).

The other companies in the financial space are Reliance Securities Ltd (RCL has 100% stake), Reliance Financial Ltd (RCL has 100% stake), Reliance Commercial Finance Ltd (RCL has 100% stake), Reliance General Insurance Company Ltd (RCL has 100% stake).

Adequate liquidity position

During FY18, RCL had exits from its investments aggregating to about Rs.1,400 crore including Reliance Nippon Life Asset Management Ltd., Reliance Broadcast Network Ltd. and others. Apart from this the company had maintained cash balance of Rs.2,941 crore as on March 31, 2018. Going forward, for FY19, it has divestment plans of about Rs.6,500 crore of which Rs.1,260 crore has already been realized during H1FY19. Timely fructification of the divestment deals will further increase the liquidity buffer for RCL.

Further, RCL's resource profile mainly comprises of NCDs which have repayments spread across the period from FY19 to FY28 in the range of Rs.2,000 crore to Rs.3,000 crore per year. The resource profile consists of tangible net worth of Rs.14,005 crore and borrowings worth Rs.20,707 crore of which NCDs are Rs.19,750 crore (95%), bank term loans of Rs.615 crore (3%) and commercial paper of Rs.342 crore (2%).

Key Rating Weaknesses

Delay in sale of group assets/investments as per timelines provided by Reliance Capital Ltd

On November 23, 2016, the group announced sale of its radio business and general entertainment TV business to Zee group. The transaction relating to the sale of the TV business has been completed and the sale proceeds of Rs.300 crore were realised on August 16, 2017. The sale of radio business is awaiting the final approval from the Ministry of Information & Broadcasting. The management expects inflow of about Rs.1700 crore from this transaction which has been delayed and is now expected to be concluded by December 2018. The company also plans to sell up to 25% stake in Reliance General Insurance via IPO; the same, however, has been delayed from February 2018 to December 2018. The company has also committed to exit from its media businesses to pare down its debt levels.

However, RCL has been able to achieve only about a third of the total exits planned by the management by September 2018 with timelines for other exits being revised twice in the last one year. Some of the key exits achieved during the period are Yatra Online stake sale and Codemasters sale.

As at the end of FY18, RCL had total exposure of Rs.17,653 crore to its group companies in the form of CCDs of Rs.7,700 crore (P.Y. Rs.6,250 crore) and loans & advances of Rs.9,953 crore (P.Y. Rs.8,575 crore). These exposures are mainly towards the non-financial businesses of the group. However, out of the total investments in the non-financial business, the management has stated timelines for exits from the Zee deal, Mahindra First Choice and Prime Focus stake sale. Timely conclusion of the envisaged divestments will be critical for reducing the leverage of RCL.

Exposure to Reliance Communications (RCOM) group

RCL has exposure towards RCOM (rated 'CARE D') and its group companies which forms around 11% (Fund based: 8% and Non-fund based: 3%) of its networth as on March 31, 2018. The management was confident of recovering majority of this exposure post completion of strategic transactions. However, there has been delay in recovery of the same.

Moderate gearing levels

RCL's standalone gross gearing stood at 1.48 times (PY: 1.37 times) as on March 31, 2018. Capital ratio as on March 31, 2018 stood at 47% (PY: 38%). As per regulations, a NBFC-CIC has to maintain a minimum capital ratio of 30% and leverage of less than 2.5 times. As on March 31, 2018, the adjusted gross gearing (post inclusion of CARE rated 'SO' limits and other outstanding corporate guarantees) stood at 1.97 times. RCL's plan to unwind its exposures from various group companies shall have a positive impact on its gearing levels going forward; however, the company was not been able to reduce its leverage during FY18 as per its stated commitments due to delay in its divestment plans.

Industry Prospects

Over the last few years, the NBFC sector has gained systemic importance with increase in share of NBFC total assets to bank total assets. The same has resulted in the Reserve Bank of India (RBI) taking various policy actions resulting in NBFCs attracting higher support and regulatory scrutiny. The RBI has revised the regulatory framework for NBFCs which broadly focuses on strengthening the structural profile of NBFC sector, wherein focus is more on safeguarding depositors' money and regulating NBFCs which have increased their asset-size over time and gained systemic importance. On the asset quality front, gradual change in the NPA recognition norms would lead to deterioration in asset quality parameters during the transition phase. Overall the revised regulations are positive for the NBFC sector making it structurally stronger, increase transparency and improve their ability to withstand asset quality shocks in the long run.

Due to subdued economic environment, last three years have been challenging period for the NBFCs with moderation in growth and rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalization levels and liquidity management continue to provide comfort to the credit profile of NBFCs in spite of impact on profitability. Also with the improvement in economic environment, asset quality pressures should ease which will partially offset the impact of migration towards 90 day NPA recognition norm.

Analytical approach: The ratings are based on credit enhancement from Reliance Capital Limited.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Criteria for placing rating on credit watch](#)

[Financial ratios – Financial sector](#)

[CARE's criteria for Non Banking Financial Companies](#)

About the Company – RBBNHL

RBBNHL is primarily held by ADAG (Anil Dhirubhai Ambani Group; 74% as on August 24, 2018). Business Broadcast News Private Limited (BBNPL) is 100% subsidiary of RBBNHL. BBNPL owns and operate Premier English Business News Television Channel named Business Television India – BTVI that delivers business and financial news.

About the Guarantor - RCL

Reliance Capital Ltd. (RCL) is the company of Reliance Group in the financial services space. It is one of India's leading private sector financial services companies and ranks amongst the top private sector financial services companies in

terms of net worth. RCL is converted into a 'Core Investment Company' subject to necessary approvals from RBI on September 07, 2018. Reliance Capital has interests in asset management and mutual funds; life and general insurance; commercial and home finance; equities & commodities broking; investment banking; wealth management services; distribution of financial products; private equity; asset reconstruction; proprietary investments and other activities in financial services. On a standalone basis, RCL's networth stands at Rs.14,005 crore as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (Audited)	FY18 (Audited)
Total operating income	1,954	3,275
PAT	419	828
Interest coverage (times)	1.4	1.6
Total Assets	33,137	36,189
Net NPA (%)	0.0	0.0
ROTA (%)	1.2	2.4

All analytical ratios are based on CARE's calculations.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	September 11, 2015	9.50%	Sep 11, 2020	600.00*	CARE AA (SO) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	September 14, 2015	9.50%	Sep 14, 2020	200.00	CARE AA (SO) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	February 07, 2017	9.50%	Feb 7, 2020	250.00	CARE AA (SO) (Under Credit watch with Developing Implications)

*The company had paid Rs.200 crore. However, the facilities will be withdrawn post receipt of Redemption Certificate as per CARE's policy.

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (22-Jan-16) 2)CARE AAA (SO) (10-Apr-15)
2.	Debentures-Non Convertible Debentures	LT	600.00	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Jan-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (24-Jul-17)	1)CARE AA+ (SO); Stable (29-Mar-17) 2)CARE AAA (SO) (Under Credit watch with Developing Implications) (19-Jan-17)	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (16-Sep-15) 3)Provisional CARE AAA (SO) (11-Sep-15)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
3.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Jan-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (24-Jul-17)	1)CARE AA+ (SO); Stable (29-Mar-17) 2)CARE AAA (SO) (Under Credit watch with Developing Implications) (19-Jan-17)	1)CARE AAA (SO) (Under Credit Watch) (23-Mar-16) 2)CARE AAA (SO) (16-Sep-15) 3)Provisional CARE AAA (SO) (11-Sep-15)
4.	Debentures-Non Convertible Debentures	LT	250.00	CARE AA (SO) (Under Credit watch with Developing Implications)	-	1)CARE AA+ (SO) (Under Credit watch with Developing Implications) (05-Jan-18) 2)CARE AA+ (SO) (Under Credit watch with Developing Implications) (24-Jul-17)	1)CARE AA+ (SO); Stable (29-Mar-17) 2)CARE AAA (SO) (Under Credit watch with Developing Implications) (28-Feb-17) 3)Provisional CARE AAA (SO) (Under Credit watch with Developing Implications) (09-Feb-17)	-